Research Corner will take a break on 11/28/22 and will resume on 12/5/2022.

OBSERVATIONS

- Amazon plans to cut nearly 10,000 jobs as it braces for lower growth. While the largest ever workforce reduction in Amazon's history, the tech giant grew its headcount from 750 thousand as of Q3 2019 to over 1.5 million as of the most recent quarter end.[1]
- The US Dollar's (DXY Index) big run which saw its peak on 9/22/22 has since given back some of those outsized gains as markets position for a gradual decrease in the Fed's policy. As a result, foreign stock markets have rallied with the MSCI EAFE index gaining +10.1% as compared to the S&P 500's +5.3% gain since that September peak through last week (11/17/22).[1]
- Wholesale prices (Producer Price Index – PPI) rose +0.2% in October, less than expectations for a +0.4% month-over-month (MoM) increase. The services component contributed to the less than expected figure after declining -0.1% on a MoM basis, the first outright MoM decline in services since November 2020.[2]
- Nominal US retail sales rose in October by +1.3% MoM, more than the median estimate for a 1.0% increase. Excluding auto and gasoline, retail sales climbed +0.9% MoM as compared to expectations for a gain of +0.2%.[1]
- Homebuilder confidence dropped for the eleventh consecutive month to its lowest level since April 2020 while generally tracking the rise in mortgage rates, which have doubled over that same period.[3]
- The 10-Yr US Treasury yield has declined 40bps to 3.82% since reaching its highest level since 2008 of 4.26% in late-October as markets wrestle with recession risks and the potential for a pivot in Fed policy.[1]

EXPECTATIONS

- Fed speakers still hawkish and markets are likely ahead of themselves; "I think what's really important to emphasize: We've done a lot, but we have additional work to do" – Fed Vice Chair Lael Brainard. "Everybody should just take a deep breath, calm down. We've got a ways to go" – Fed Governor Christopher Waller. "To attain a sufficiently restrictive level, the policy rate will need to be increased further" – St. Louis Federal Reserve President.
- Crypto contagion continued following the recent FTX failure (*Please see here for our recent update on FTX*) as the crypto lending programs of Genesis and Gemini pause withdrawals—not to be confused with Gemini's custody platform.[1]
- President Biden and President Xi met face-to-face last week at the G20 Summit in Indonesia. The three-hour meeting produced no immediate break throughs on any bilateral or global issues, but the meeting restored a measure of stability to the relationship and emphasized the two leaders had agreed to continue talks regarding potential cooperation on food security, climate issues, and select economic issues.[4]

ONE MORE THOUGHT: *Chinese Equities Bounce Higher in November*[1]

Chinese equities are having an abysmal year. But November returns, thus far, have helped China close some of the gap between Chinese equities and US equities. Chinese shares began to trade lower in the aftermath of Russia's invasion of Ukraine, where just weeks before the Olympic games President Xi had noted the China's friendship with

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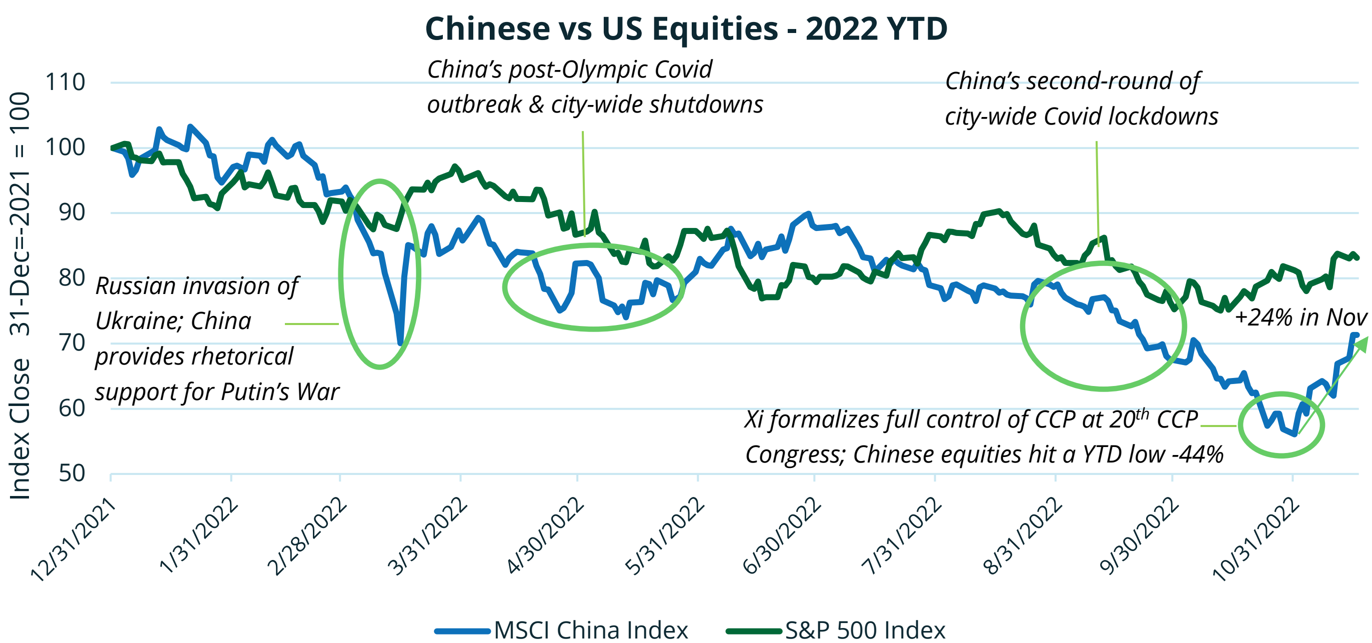
[1] *Bloomberg LP*
[2] *https://www.cnbc.com/2022/11/15/wholesale-prices-rose-0point2percent-in-october-less-than-expected-as-inflation-eases.html, m*
[3] *https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index, Freddie Mac US Mortgage Market Survey – 30 Year Fixed*
[4] *https://www.ft.com/content/c94ff50c-b3cf-4f94-a76a-c521d7c9063c*

Russia had no limits. Additional weakness for Chinese equities in the first months of the year stemmed from different rounds of stringent quarantines where entire cities were in lock-down while few citizens tested positive for Covid. The back half of the year has been marked by additional Covid lockdowns, the unwinding of leverage in China's residential property market, and Xi's control over the Chinese Communist Party (CPP). As investors approached the 20th CPP Congress, the narrative that initially emerged was that Xi, surrounded by loyalists, would be unwilling to reverse course on his zero-Covid policy nor refocus his attention from national security issues to those of the domestic economy. However, in the days since the Congress, Beijing has been keen to rebut this narrative and has shown that pragmatic economic policy will be a central tenet of Xi's new team. As such, they have begun to lay the groundwork for moving away from the zero-Covid policy in the Spring of 2023 as well as a detailed plan to stabilize the property sector. These along with additional monetary policy actions have given life to China's equity bulls—Chinese markets have rallied over +24% in the first have of November alone (as of 11/18/22). Chinese equities may not be out of the woods yet, but recent policy moves may have put a floor in the market.

CHART OF THE WEEK:



Source: Clearstead, Bloomberg 17-Nov-2022

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Clearstead	Clearstead

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